



Maple Leaf Mills Limited  
1977 Annual Report







#### COVER ILLUSTRATION

Maple Leaf Mills Limited, in November 1977, moved its Head Office from Queen's Quay, Toronto to 2300 Yonge Street, Toronto.

The cover illustration depicts this new modern building in which Maple Leaf is the major tenant.



# Annual Report to Shareholders Maple Leaf Mills Limited

for the year ended December 31, 1977



## DIRECTORS

|                  |                 |
|------------------|-----------------|
| R. G. Dale       | J. A. McCleery  |
| J. H. Flom       | B. A. Norris    |
| J. A. Geller     | L. J. Risi, Jr. |
| J. D. Leitch     | D. G. Scott     |
| F. H. Logan      | J. H. Taylor    |
| G. M. MacLachlan |                 |

## OFFICERS

Chairman of the Board,  
President and Chief Executive Officer  
R. G. Dale

### Senior Vice-Presidents

|                  |                               |
|------------------|-------------------------------|
| H. W. Blakely    | Planning & Corporate Services |
| W. E. Paterson   | International Operations      |
| P. W. Strickland | Corporate Development         |
| J. A. Telfer     | Domestic Operations           |
| J. J. Wigle      | Finance                       |

### Vice-Presidents

|                 |                  |
|-----------------|------------------|
| A. H. James     | Flour            |
| J. W. MacDonald | Grocery Products |
| G. S. MacDonell | Agriculture      |
| S. A. Miller    | Labour Relations |
| W. G. Milliken  | Vegetable Oil    |
| C. L. Turner    | Grain            |

### Financial

|               |  |
|---------------|--|
| D. D. Brown   | Corporate Controller                           |
| D. E. Knievel | Assistant Controller,<br>Policy and Procedures |
| P. Kriwoy     | Assistant Secretary                            |
| R. E. Lennox  | Secretary-Treasurer                            |

## ASSOCIATED BAKERIES

### President and Chief Executive Officers

|                     |                             |
|---------------------|-----------------------------|
| N. T. Currie        | Corporate Foods Limited     |
| D. Devine           | McGavin ToastMaster Limited |
| D. G. Hickingbottom | Eastern Bakeries Limited    |

## HEAD OFFICE

2300 Yonge Street  
Toronto, Ontario M4P 1E4

## TRANSFER AGENT AND REGISTRAR

Crown Trust Company  
Toronto and Montreal



# President's Letter

## TO THE SHAREHOLDERS

The Company's sales and earnings again reached record levels for the year ended December 31st, 1977.

Net earnings advanced to \$2.91 per share, an increase of 28%, with sales and revenues increasing by 8.3% to \$575,172,000.

Improvement in the operating results of the Grain, Flour and International Divisions more than offset lower earnings in the Agricultural and Grocery Products Divisions during the year. The Company's Vegetable Oil Division maintained its level of earnings in 1977 and the results of our Associated Bakery companies were generally satisfactory.

While certain factors which favourably affected earnings in the Flour and International Divisions during the year are not expected to be present in 1978, we are confident that the Company will again produce satisfactory results in the months ahead.

In November 1977, Norin Corp. through its wholly owned subsidiary, Norin Canada Holdings Inc., made a tender offer for the remaining publicly held common shares of Maple Leaf Mills Limited and as of this date Norin owns or controls approximately 95% of the Company's shares.

Our close relationship with Norin Corp. and the challenges and opportunities that this presents, is viewed enthusiastically by all at Maple Leaf and we look forward confidently to the future.

The successes of the past year are due in no small measure to the dedication and support of our employees at every level of the Company and their efforts are greatly appreciated.

A handwritten signature in dark ink, appearing to read 'R. G. Dale', with a horizontal line underneath.

Robert G. Dale  
President & Chief Executive Officer

March 14, 1978



# Consolidated Financial Statements

December 31, 1977



## Auditors' Report

To the Shareholders of Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Clarkson, Gordon & Co.*

Chartered Accountants

Toronto, Canada,  
March 2, 1978.



# Consolidated Statement of Earnings

for the year ended December 31, 1977

|  | 1977             | 1976             |
|--|------------------|------------------|
|  | (000's omitted)  |                  |
| Sales and revenues:  |                  |                  |
| Sales and operating revenues   | \$575,172        | \$530,876        |
| Interest, investment and other income  | 2,377            | 2,618            |
| Gain on sale of properties   | 1,369            | 168              |
|  | <u>578,918</u>   | <u>533,662</u>   |
| Costs and expenses:  |                  |                  |
| Cost of sales and operating expenses   | 511,521          | 474,964          |
| Selling and administrative expenses  | 34,814           | 31,981           |
| Depreciation   | 4,277            | 3,807            |
| Interest on bankers' advances and notes                                      | 177              | 81               |
| Interest on long-term debt   | 3,181            | 3,139            |
| Minority interest  | 876              | 822              |
|  | <u>554,846</u>   | <u>514,794</u>   |
| Earnings before income taxes and equity in<br>net earnings of joint ventures | 24,072           | 18,868           |
| Income taxes (note 8)  | <u>10,200</u>    | <u>8,900</u>     |
| Earnings before equity in net earnings<br>of joint ventures                  | 13,872           | 9,968            |
| Equity in net earnings of joint ventures                                     | 326              | 1,129            |
| Net earnings   | <u>\$ 14,198</u> | <u>\$ 11,097</u> |
| Net earnings per common share  | <u>\$ 2.91</u>   | <u>\$ 2.29</u>   |

# Consolidated Statement of Retained Earnings

for the year ended December 31, 1977

|  | 1977             | 1976             |
|--|------------------|------------------|
|  | (000's omitted)  |                  |
| Retained earnings at beginning of year | \$ 77,176        | \$ 69,363        |
| Net earnings                           | 14,198           | 11,097           |
|  | <u>91,374</u>    | <u>80,460</u>    |
| Dividends                              | 3,501            | 3,284            |
| Retained earnings at end of year       | <u>\$ 87,873</u> | <u>\$ 77,176</u> |



# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1977

|   | 1977             | 1976             |
|---|------------------|------------------|
|   | (000's omitted)  |                  |
| Source of funds:  |                  |                  |
| Funds generated from operations   | \$ 18,608        | \$ 15,971        |
| Obligations under capital leases (note 12)  | 1,761            |                  |
| Sale of property and equipment  | 1,227            | 982              |
| Investments realized  | 604              | 1,464            |
| Common shares issued  | 344              | 77               |
|   | <u>22,544</u>    | <u>18,494</u>    |
| Application of funds:   |                  |                  |
| Investments   | 7,065            | 2,084            |
| Property and equipment  | 6,025            | 9,024            |
| Equipment under capital leases  | 2,560            |                  |
| Dividends   | 3,501            | 3,284            |
| Long-term debt retired  | 705              | 665              |
| Other   | 158              | (124)            |
|   | <u>20,014</u>    | <u>14,933</u>    |
| Increase in working capital   | 2,530            | 3,561            |
| Working capital at beginning of year  | 73,017           | 69,456           |
| Working capital at end of year  | <u>\$ 75,547</u> | <u>\$ 73,017</u> |
| Analysis of increase in working capital:  |                  |                  |
| Increase (decrease) in current assets -   |                  |                  |
| Short-term investments  | \$ (837)         | \$ 2,254         |
| Accounts receivable   | 10,011           | 197              |
| Deposits with The Canadian Wheat Board less<br>banker's advances applicable thereto | (7,568)          | 738              |
| Inventories   | 13,702           | 4,444            |
| Prepaid expenses  | (33)             | (127)            |
|   | <u>15,275</u>    | <u>7,506</u>     |
| Less increase (decrease) in current liabilities -                                   |                  |                  |
| Bank indebtedness and notes payable   | 7,770            | 2,088            |
| Accounts and taxes payable  | 5,957            | 2,200            |
| Other   | (982)            | (343)            |
|   | <u>12,745</u>    | <u>3,945</u>     |
| Increase in working capital   | <u>\$ 2,530</u>  | <u>\$ 3,561</u>  |



# Consolidated Balance Sheet December 31, 1977

## Assets

|   | 1977                    | 1976                    |
|---|-------------------------|-------------------------|
|   | (000's omitted)         |                         |
| Current:  |                         |                         |
| Short-term deposits and investments,<br>at cost which approximates market | \$ 6,420                | \$ 7,257                |
| Accounts receivable   | 51,785                  | 41,774                  |
| Deposits with The Canadian Wheat Board (note 2)                           |                         | 11,133                  |
| Bankers' advances applicable thereto                                      |                         | (3,565)                 |
| Inventories (note 2)  | 62,379                  | 48,677                  |
| Prepaid expenses  | 1,019                   | 1,052                   |
| Total current assets  | <u>121,603</u>          | <u>106,328</u>          |
| Investments:  |                         |                         |
| Mortgages and other investments   | 1,798                   | 1,434                   |
| Joint ventures (note 3)   | <u>16,165</u>           | <u>9,385</u>            |
|   | <u>17,963</u>           | <u>10,819</u>           |
| Property and equipment (note 4)   | <u>48,437</u>           | <u>44,577</u>           |
| Goodwill and other assets   | <u>971</u>              | <u>1,157</u>            |
|   | <u><u>\$188,974</u></u> | <u><u>\$162,881</u></u> |

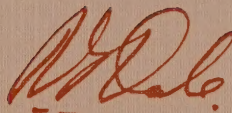


## Liabilities

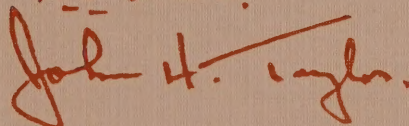
|   | 1977             | 1976             |
|---|------------------|------------------|
|   | (000's omitted)  |                  |
| Current:                                  |                  |                  |
| Bank indebtedness (note 5)                | \$ 12,595        | \$ 5,334         |
| Notes payable                             | 2,096            | 1,587            |
| Accounts payable and accrued liabilities  | 25,300           | 22,857           |
| Income and other taxes payable            | 4,046            | 532              |
| Dividends payable                         | 233              | 870              |
| Allowance for disturbance costs (note 10) | 1,786            | 2,131            |
| Total current liabilities                 | 46,056           | 33,311           |
| Long-term debt (note 6)                   | 31,884           | 30,889           |
| Accrued pension costs (note 7)            | 2,200            | 1,890            |
| Deferred income taxes (note 8)            | 8,909            | 8,359            |
| Minority interest in subsidiaries:        |                  |                  |
| Preference shares                         | 1,225            | 1,384            |
| Common shares                             | 4,391            | 3,780            |
|   | 5,616            | 5,164            |
| Shareholders' equity:                     |                  |                  |
| Share capital (note 9)                    | 5,830            | 5,486            |
| Contributed surplus                       | 606              | 606              |
| Retained earnings (note 6)                | 87,873           | 77,176           |
|   | 94,309           | 83,268           |
|   | <u>\$188,974</u> | <u>\$162,881</u> |

On behalf of the Board:

Director



Director





# Notes to Consolidated Financial Statements

December 31, 1977

## 1. Summary of accounting policies

### (a) Principles of consolidation –

The consolidated financial statements include the accounts of all subsidiaries. The principal subsidiaries and the company's interest therein are set out below:

|                           |     |
|---------------------------|-----|
| Canadian Bakeries Limited | 99% |
| Corporate Foods Limited   | 63% |
| Eastern Bakeries Limited  | 69% |

The excess of cost over book value of net assets of subsidiaries at dates of acquisition has been allocated to property and goodwill. Depreciation has been charged against earnings on amounts allocated to depreciable assets. Goodwill is amortized over its estimated life or forty years, whichever is less.

The equity method of accounting is used for investments in joint ventures. Mortgages and other investments are stated at cost less provisions for losses.

### (b) Inventories –

Inventories are valued at the lower of average cost and replacement cost. Grains held for resale, and other inventories where practicable, are hedged to minimize risk due to price fluctuations.

### (c) Sales and revenue recognition –

Sales of products and services to customers are reported in operating results when title to products passes to the customer and when services are performed, except foreign management fee revenues which are recognized when collection becomes reasonably assured.

### (d) Depreciation –

Depreciation is calculated on the straight-line method. The rates used, as set out below, are estimated to be sufficient to depreciate the cost of the assets to residual value over their useful lives:

|                         |                     |
|-------------------------|---------------------|
| Buildings               | 2% - 10% per annum  |
| Machinery and equipment | 6½% - 30% per annum |
| Automotive equipment    | 20% - 30% per annum |

### (e) Pension costs –

Pension costs for current service are charged to earnings on a current basis. Past service costs relating to changes in pension benefits

and actuarial assumptions are amortized over eight years. Past service costs are funded over periods not exceeding fifteen years.

## 2. Inventories

Inventories consist of the following:

|                              | 1977            | 1976            |
|------------------------------|-----------------|-----------------|
|                              | (000's omitted) |                 |
| Grains held for resale       | \$15,046        | \$ 8,683        |
| Material held for production | 26,475          | 17,454          |
| Finished products            | 20,858          | 22,540          |
|                              | <u>\$62,379</u> | <u>\$48,677</u> |

On November 1, 1977 The Canadian Wheat Board changed its former agency system for marketing western Canadian milling wheat under which the Board retained ownership of the wheat and paid the company interest and storage charges until the wheat was milled. The company is now required to purchase such wheat at an earlier stage and to bear interest and storage costs from the time of purchase.

## 3. Joint ventures

The principal joint ventures and the company's interest therein are set out below:

|                                      |     |
|--------------------------------------|-----|
| McGavin ToastMaster Bakeries Limited | 40% |
| National Flour Mills Limited         | 36  |
| Pinecrest Foods Limited              | 50  |
| X'L Feeds, Ltd.                      | 50  |
| Maple Leaf Monarch Company           | 50  |
| East Caribbean Flour Mills Limited   | 40  |
| Barbados Mills Limited               | 40  |

Corporate Foods Limited, a 63% owned subsidiary, has principal joint ventures as set out below:

|                            |     |
|----------------------------|-----|
| Purity Bakeries Limited    | 50% |
| Robin Le Pain Moderne Inc. | 25  |
| Durivage Inc.              | 25  |

Summary financial information for all joint ventures as a group, including those with assets still under construction, is as follows:

|              | 1977            |                 | 1976     |                 |
|--------------|-----------------|-----------------|----------|-----------------|
|              | (000's omitted) |                 |          |                 |
|              | Total           | Company's Share | Total    | Company's Share |
| Assets       | \$69,510        | \$28,267        | \$49,185 | \$18,963        |
| Equity       | 38,620          | 16,165          | 24,322   | 9,385           |
| Revenues     | 133,404         | 48,475          | 131,144  | 50,610          |
| Net earnings | 1,205           | 326             | 2,277    | 1,129           |



#### 4. Property and equipment

|                       | 1977             |                          | 1976            |                 |
|-----------------------|------------------|--------------------------|-----------------|-----------------|
|                       | (000's omitted)  |                          |                 |                 |
|                       | Cost             | Accumulated Depreciation | Net             | Net             |
| Land and improvements | \$ 3,688         | \$ 283                   | \$ 3,405        | \$ 3,359        |
| Buildings             | 39,090           | 16,951                   | 22,139          | 21,310          |
| Equipment             | 67,604           | 44,711                   | 22,893          | 19,908          |
|                       | <u>\$110,382</u> | <u>\$61,945</u>          | <u>\$48,437</u> | <u>\$44,577</u> |

#### 5. Bank indebtedness

Bank indebtedness is secured by assignments of accounts receivable and security on inventories.

#### 6. Long-term debt

Long-term debt, excluding amounts due within one year included in accounts payable and accrued liabilities, consists of the following:

|  | 1977            | 1976            |
|--|-----------------|-----------------|
|  | (000's omitted) |                 |
| Maple Leaf Mills Limited -                                   |                 |                 |
| 5¾% Sinking Fund Debentures to mature December 1, 1981       | \$ 6,412        | \$ 6,923        |
| 11¾% Sinking Fund Debentures to mature August 1, 1995        | 20,000          | 20,000          |
| Corporate Foods Limited -                                    |                 |                 |
| 8½% Sinking Fund Debentures, Series A, due December 15, 1988 | 3,534           | 3,692           |
| Obligations under capital leases                             | 1,761           |                 |
| Other  | 177             | 274             |
|  | <u>\$31,884</u> | <u>\$30,889</u> |

Estimated annual repayment requirements, including obligations under capital leases, in the next five years are:

| (000's omitted) |         |
|-----------------|---------|
| 1978 -          | \$ 750  |
| 1979 -          | \$1,900 |
| 1980 -          | \$1,850 |
| 1981 -          | \$6,850 |
| 1982 -          | \$1,250 |

The trust indentures securing the company's debentures contain covenants restricting the payment of dividends. Under the most restrictive covenant the amount of retained earnings available for payment of dividends was approximately \$31,000,000 as at December 31, 1977.

#### 7. Pension costs

Pension expense totalled \$1,900,000 for the year (\$1,800,000 in 1976). During the year, certain pension benefits (including payments to retired employees) were improved thereby giving rise to additional unfunded past service obligations of approximately \$1,300,000. Based on the most recent independent actuarial valuation of the company's plan, and subsequent improvements, unfunded past service obligations at December 31 consisted of the following amounts:

|                                    | 1977            | 1976           |
|------------------------------------|-----------------|----------------|
|                                    | (000's omitted) |                |
| Accrued in current liabilities     | \$ 300          | \$ 260         |
| Accrued in non-current liabilities | 2,200           | 1,890          |
| To be expensed                     | <u>2,300</u>    | <u>1,850</u>   |
|                                    | <u>\$4,800</u>  | <u>\$4,000</u> |

#### 8. Income taxes

Income taxes charged to earnings in 1977 include deferred taxes of \$550,000 (\$1,500,000 in 1976). The proportionately lower income tax provision for 1977 results mainly from the 3% inventory allowance, provided in recent changes to the Income Tax Act to give partial relief for the impact of inflation, which reduced taxes by approximately \$635,000 and from capital gains on sale of property.

#### 9. Share capital

|  | 1977            | 1976           |
|--|-----------------|----------------|
|  | (000's omitted) |                |
| Preference shares Class A, par value \$100 each -  |                 |                |
| Authorized - 75,000 shares, none issued  |                 |                |
| Common shares without par value -  |                 |                |
| Authorized - 12,000,000 shares, issued 4,905,012 (1976 - 4,847,862) of which 16,170 are held by a subsidiary | <u>\$5,830</u>  | <u>\$5,486</u> |

At the Annual and General Meeting held on May 17, 1977, shareholders confirmed a special resolution providing for the subdivision of each common share into three shares. The effective date of the subdivision was July 9, 1977.

During the year, 57,150 common shares (as subdivided) were issued under the employees' stock option plan for \$344,000. There were no options outstanding at year end.



# 10. Expropriation and relocation

In May 1973, the Government of Canada expropriated the company's Queen's Quay, Toronto property. Subsequently, the company received, without prejudice to its rights to claim additional compensation, \$12.2 million for the expropriated property. In addition, a provisional allowance for disturbance costs was received, which amount less costs incurred to date is included in current liabilities.

The company expects that it will receive additional compensation in connection with the expropriation as a result of an action commenced in the Federal Court of Canada seeking additional compensation including an amount for machinery and equipment not included in the Government's initial offer. Settlement negotiations are in progress.

The company also received from the Government a licence to occupy the expropriated premises which expired November 30, 1977. The company's feed and pet food facilities and head office, previously located on the premises, have been relocated. The company is continuing to operate its vegetable oil facilities and transfer grain elevator located on the premises and is negotiating an extension of this licence to enable the company to continue to use these facilities into 1979. The company has also proposed terms under which it would continue to operate the transfer elevator under lease on a longer term basis. This elevator operation will be discontinued if the company is unable to negotiate a satisfactory lease.

In January 1976, the company entered into an agreement providing for an equal partnership with Lever Brothers Limited to establish a vegetable oil extraction and refining operation at Windsor, Ontario. These facilities are scheduled for completion in 1979 and will replace the Queen's Quay vegetable oil facilities.

# 11. Capital expenditure plans

The principal projects included in capital expenditure plans and their estimated completion costs are as follows:

|  |              |
|--|--------------|
| Vegetable oil plant -  | \$18,000,000 |
| This is the company's share of the balance of the estimated \$50,000,000 cost of a vegetable oil extraction and refining facility at Windsor, Ontario. |              |
| Calgary flour mill -   | 5,000,000    |
| The modernization of this mill will include new milling  |              |

equipment and bulk storage and packing facilities.

|  |           |
|--|-----------|
| New bakery plant -   | 3,000,000 |
| Corporate Foods Limited plans to construct a plant in connection with an agreement to supply a major customer under a long-term contract |           |

# 12. Leases

The company accounts for all leases entered into on or after January 1, 1977 in accordance with U.S. Financial Accounting Standards Board Statement No. 13. Certain transportation and production equipment which are leased under agreements classified as capital leases are accounted for as fixed assets and obligations and the cost is amortized on a straight-line basis over the useful lives of the assets. Information with respect to such leases entered into in 1977 is as follows:

|  | December 31, 1977     |
|--|-----------------------|
|  | (000's omitted)       |
| Machinery and equipment, at cost   | \$2,560               |
| Less accumulated amortization  | 245                   |
|  | <u>\$2,315</u>        |
| Future minimum lease payments under the above capital leases together with the related present value as at December 31, 1977 are as follows: |                       |
|  | (000's omitted)       |
| 1978   | \$ 683                |
| 1979   | 574                   |
| 1980   | 395                   |
| 1981   | 327                   |
| 1982   | 191                   |
| Thereafter   | <u>777</u>            |
| Total minimum lease payments   | 2,947                 |
| Less amount representing interest  | <u>677</u>            |
| Present value of minimum lease payments  | 2,270                 |
| Less amounts due in one year and included in accounts payable and accrued liabilities  | 509                   |
|  | <u><u>\$1,761</u></u> |



The company also leases property and equipment under leases which are classified as operating leases. Rental expense under operating leases, as well as capital leases entered into prior to 1977, was \$2,587,000 and \$2,609,000 for the years 1976 and 1977 respectively.

Annual future minimum rentals under capital leases entered into prior to 1977 and operating leases are as follows:

|            | (000's omitted) |
|------------|-----------------|
| 1978       | \$2,814         |
| 1979       | 1,619           |
| 1980       | 1,202           |
| 1981       | 956             |
| 1982       | 756             |
| Thereafter | 3,530           |

If the financial statements had been restated for capital leases in existence prior to January 1, 1977, the effect would not have been material.

### 13. Anti-Inflation Act

Under this Act the company is subject to mandatory compliance with controls on prices, profit margins, employee compensation and dividends. This program expires in stages by December 31, 1978. Management believes it is in compliance in all material respects with the Act and its Regulations. These Regulations restrict dividends to the company's shareholders during the year ending October 13, 1978 to a maximum of \$.7632 per share.

### 14. Other statutory information

Remuneration of directors and senior officers totalled \$1,014,000 for the year (\$954,000 in 1976).

### 15. Quarterly sales and net earnings (unaudited)

|                | Sales         |              | Net Earnings  |               | Net Earnings<br>Per Common<br>Share |               |
|----------------|---------------|--------------|---------------|---------------|-------------------------------------|---------------|
|                | 1977          | 1976         | 1977          | 1976          | 1977                                | 1976          |
|                | (in millions) |              |               |               |                                     |               |
| First quarter  | \$124         | \$118        | \$ 3.3        | \$ 2.6        | \$ .68                              | \$ .55        |
| Second quarter | 167           | 143          | 3.3           | 2.8           | .67                                 | .57           |
| Third quarter  | 131           | 128          | 2.6           | 2.8           | .54                                 | .58           |
| Fourth quarter | 153           | 142          | 5.0           | 2.9           | 1.02                                | .59           |
|                | <u>\$575</u>  | <u>\$531</u> | <u>\$14.2</u> | <u>\$11.1</u> | <u>\$2.91</u>                       | <u>\$2.29</u> |

Sales are generally higher in the second and fourth quarters reflecting the agricultural orientation of certain of the company's operations. Fourth quarter net earnings in 1977 include the company's share (\$1,600,000 after taxes) of the earnings of an overseas company in which it participates under a management contract. Because of a change in fiscal year end of the overseas company, the above amount covered a 16 month period. In 1976, the corresponding amount (\$585,000 after taxes) was reflected in net earnings in the third quarter.

### 16. Business segments

The company's operations are conducted through four business segments. These segments, and the primary operations of each, are as follows:

|                          |   |
|--------------------------|---|
| Agricultural products:   | Production and marketing of animal and poultry feeds; operating farm supply centres; processing and marketing of poultry products; processing and marketing of cereal, forage and lawn seed.  |
| Grain:                   | Trading and merchandising grains; acting as one of the sales agents for the Canadian and Ontario government wheat marketing boards; operating grain elevators and farm supply centres.        |
| Flour and vegetable oil: | Milling and processing of wheat and oilseeds; selling a variety of wheat flours, vegetable oils and meals; providing management assistance to flour milling companies in Caribbean countries. |
| Consumer food products:  | Production and marketing of a variety of consumer grocery products, bakery goods, and pet foods under several brand names.  |



The following table sets forth the revenues and earnings of each of the company's business segments:

|   | 1977             | 1976             |
|---|------------------|------------------|
|   | (000's omitted)  |                  |
| Sales and revenues:   |                  |                  |
| Agricultural products   | \$135,772        | \$133,026        |
| Grain   | 139,346          | 135,681          |
| Flour and vegetable oil   | 250,925          | 212,827          |
| Consumer food products  | 105,353          | 101,942          |
| Other   | 1,591            | 466              |
|   | <u>632,987</u>   | <u>583,942</u>   |
| Inter-segment sales   | 54,069           | 50,280           |
|   | <u>\$578,918</u> | <u>\$533,662</u> |
| Earnings:   |                  |                  |
| Agricultural products   | \$ 4,062         | \$ 5,845         |
| Grain   | 4,224            | 3,067            |
| Flour and vegetable oil   | 18,135           | 11,900           |
| Consumer food products  | 5,096            | 5,595            |
| Other   | 1,591            | 466              |
|   | <u>33,108</u>    | <u>26,873</u>    |
| Interest, minority interests, and general corporate expenses              | 9,036            | 8,005            |
| Earnings before income taxes and equity in net earnings of joint ventures | <u>\$ 24,072</u> | <u>\$ 18,868</u> |

## 17. Parent company

- (a) Under a loan agreement between Norin Corp. ("Norin"), the controlling shareholder of the company, and certain banks, limitations are imposed on capital expenditures and borrowings by Norin and its subsidiaries (including the company) and the maintenance of certain consolidated financial ratios is required. While the company is not a party to the loan agreement, these limitations and financial tests were established having regard to the company's future financial plans and requirements. Management does not anticipate that the existence of the loan agreement will affect the company's operations.
- (b) In November 1977, Norin, through its wholly owned subsidiary Norin Canada Holdings Inc., ("Norin Canada"), made a tender offer for the remaining publicly held common shares of the company. Pursuant to this offer, which expired in January 1978, 1,088,743 shares were purchased for \$18 per share. As a result, Norin now owns 95% of the company's common shares. It is Norin's intention, upon receipt of favourable tax rulings in the United States and Canada (which have been applied for), to effect a series of transactions whereby a successor corporation of Maple Leaf Mills Limited would become a wholly owned subsidiary of Norin. Norin Canada borrowed approximately \$20,000,000 in connection with the tender offer and it is expected that approximately \$4,000,000 will be borrowed in connection with the proposed transactions. It is contemplated that the successor corporation would assume all of the assets (other than shares of the company) and liabilities of the predecessor corporations. No assurance can be given that such transactions will take place.







